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COMMITTEE ON POST OFFICE
AND CIVIL SERVICE
U.S. HOUSE OF REPRESENTATIVES

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Details of a proposed supplemental retirement plan for Federal employees were unveiled today by Chairman William D. Ford of the House Post Office and Civil Service Committee and Congresswoman Mary Rose Oakar, Chair of the Subcommittee on Compensation and Employee Benefits.

Since 1984 new Federal employees have been covered by the Social Security System. The plan announced today is the result of three years of study and is carefully designed to provide equitable retirement benefits for those new employees.

When added to social security benefits, the proposed new plan would provide retirees, disabled employees and survivors with total benefits comparable to the existing Civil Service Retirement System, said Chairman Ford and Representative Oakar.

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The total employer cost of the plan, including social security, would be about 25.5 percent of salary, higher than in the average private sector plan.

"What must be kept in mind," said Ford and Oakar, "is that Federal employees, whose pay already has been frozen through 1986, will fall more than 16 percent behind workers in the private sector when total pay and benefits are compared. To reduce pension benefits for Federal workers would increase this unfair differential and make it even harder for the Federal government to compete with the private sector for the best and the brightest to design and operate space programs, fight disease and pestilence, guarantee the safety of our food and drugs, administer the law, and do all those other things so vital to our society."

When it was first proposed that new Federal employees be covered under social security Ford, along with House Speaker Thomas P. O'Neill and Ways and Means Committee Chairman Dan Rostenkowski, said in a letter to House members:

"We believe that new Federal employees who become covered under social security should be provided retirement benefits comparable to those under the Civil Service Retirement System."

Ford and Oakar said that the proposal presented today "keeps faith with that principle."

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At the beginning of extensive and searching hearings earlier this year, Ford said a supplemental plan "must be designed in a manner which will not threaten in any way the integrity of the existing Federal retirement system." He said benefits earned "must be protected and that a supplemental system must be compatible with the existing system to preclude the situation where employees working side by side would perceive themselves as being treated differently."

Today Ford said that he is "well satisfied" that those goals have been reached in this proposal.

Both Ford and Oakar praised the Congressional Research Service and Hay/Huggins Company, Inc., a prestigious consulting firm with extensive experience in the area of private retirement plans, for their research on retirement system design and cost. The Hay/Huggins assistance stretched over a three-year period.

Both Ford and Oakar stressed that the plan is a proposal being offered for full committee consideration.

The proposed plan is based on three principles:

- . The system should have benefits of the same value as the Civil Service Retirement System (CSRS).
- . The system should include the best design features of private sector plans and CSRS.
- . The total cost -- including social security -- should approximate the cost of CSRS.

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It includes these key provisions:

- . Full eligibility to retire at the current CSRS retirement ages of 55 with 30 years of service; 60 with 20 years of service; or 62 with 5 years of service.
- . Full protection against inflation after retirement or disability.
- . Continuation of mandatory employee contributions of 7% of pay to the total retirement system.
- . Continuation of the same levels of protection against disability.
- . A thrift plan with matching contributions from the Federal government.

Attached is a fact sheet and a copy of plan design specifications.

Attachments

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